

Historic, Archive Document

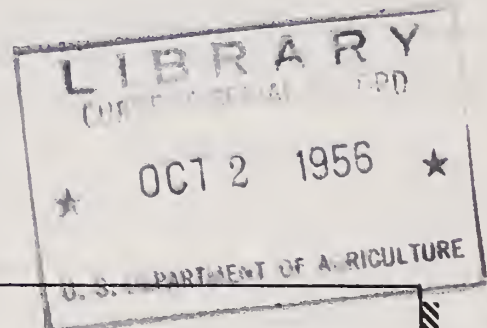
Do not assume content reflects current scientific knowledge, policies, or practices.

52 Pa
The

FOR RELEASE
SEPT. 25, P. M.
1956

DEMAND and PRICE SITUATION

DPS-21



Approved by the Outlook and Situation Board, September 19, 1956

SUMMARY

Crop output this year now appears likely to total only slightly below last year. With output of livestock and livestock products running slightly higher than in 1955, total output of farm products in 1956 may well equal last year's record.

Production prospects as of September 1 indicated corn and wheat crops 3 percent larger than in 1955. Output of soybeans is estimated to be up almost a fourth from last year. The cotton crop, however, is expected to be about 11 percent smaller than last year, and oats and other feed grains are also down substantially from the large crops of 1955.

Domestic and foreign markets for U. S. farm products continue strong. Consumer incomes dipped slightly in July because of the steel shut-down, but the rapid recovery in industrial production coupled with higher wages and rising employment is bringing renewed growth in consumer income and demand. Businessmen are planning further expansion in outlays for new plant and equipment. Consumer spending for food, other nondurable goods, and for services continues its upward trend. Agricultural exports remain above a year earlier--up 9 percent in July from the same month of 1955. The main increases occurred in cotton, wheat, soybean oil and lard.

(Continued on page 3)

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956			
		Year	Aug.	May	June	July	Aug.
Industrial production ^{1/}							
Total.....	1947-49=100	139	140	141	141	136	141
All manufactures.....	do.	141	142	143	142	137	143
Durable goods.....	do.	155	158	157	157	148	159
Nondurable goods.....	do.	126	125	128	128	127	127
Minerals.....	do.	122	121	129	129	122	128
Total outlay for new construc- tion ^{2/}	Million dollars	42,991	3,638	3,686	3,678	3,691	3,689
Residential.....	do.	16,595	1,433	1,257	1,250	1,270	1,263
Total civilian employment ^{3/}	Million	63.2	65.5	65.2	66.5	66.7	66.8
Nonagricultural.....	do.	56.5	58.0	58.1	58.6	59.0	59.5
Unemployment.....	do.	2.7	2.2	2.6	2.9	2.8	2.2
Income:							
Nonagricultural payments ^{2/4/} #...	Bil. dol.	290.9	293.8	307.6	310.3	309.7	
Production-worker payrolls ^{5/} #...	1947-49=100	152.5	154.6	156.0	158.3	151.1	160.9
Weekly earnings of production- workers in manufacturing ^{5/}	Dollars	76.52	76.33	79.00	79.00	78.80	79.79
Durable.....	do.	83.21	82.61	84.86	85.27	84.04	85.89
Nondurable.....	do.	68.06	67.83	70.38	70.95	71.53	71.31
Prices:							
Wholesale prices, all com- modities ^{5/}	1947-49=100	111	111	114	114	114	115
Commodities other than farm and food.....	do.	117	118	122	122	121	122
Farm.....	do.	90	88	91	91	90	89
Food, processed.....	do.	102	102	102	102	102	103
Prices received by farmers ^{6/} #...	1910-14=100	236	232	242	247	244	237
Crops.....	do.	237	228	252	263	258	236
Livestock and products.....	do.	236	236	233	232	232	238
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	281	280	286	286	287	288
Items used in living.....	do.	273	273	278	280	282	281
Items used in production.....	do.	250	247	250	248	248	250
Parity ratio.....		84	84	85	86	85	82
Consumer price index ^{5/}	1947-49=100	114	114	115	116	117	
Food.....	do.	111	111	111	113	115	
Government purchases of goods and services ^{2/ 7/} #.....	Billion dollars	76.8			78.7		
Federal (less Government sales)..<	do.	46.7			46.1		
State and local.....	do.	30.1			32.6		

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

^{1/} Federal Reserve Board.

^{2/} U. S. Department of Commerce.

^{3/} Bureau of the Census.

^{4/} Monthly totals seasonally adjusted at annual rates.

^{5/} U. S. Department of Labor, Bureau of Labor Statistics.

^{6/} U. S. Department of Agriculture, Agricultural Marketing Service.

^{7/} Quarterly totals seasonally adjusted at annual rates.

Revised series.

CONTENTS

	<u>Page</u>		<u>Page</u>
: Summary	1	: Wheat	18
: The General Economic Situation .	4	: Rice	18
: U. S. Surplus Disposal	13	: Fruit	19
: Farm Income	13	: Commercial Vegetables	20
: Livestock and Meat	14	: Potatoes and Sweetpotatoes	20
: Dairy Products	14	: Dry Beans and Peas	21
: Poultry and Eggs	15	: Cotton	21
: Oilseeds, Fats and Oils	16	: Wool	22
: Feeds	17	: Tobacco	22

Continued from cover page -

The new harvests have brought declines in prices of some crops. In mid-August prices received by farmers, though down from July, averaged 2 percent higher than in August 1955. Cash receipts in the first 8 months of 1956 totaled 2 percent more than in the corresponding period of last year. Prices paid by farmers have been trending up during most of 1956 and in mid-August averaged 3 percent higher than a year earlier.

Commodity Highlights

A seasonal downturn in fed cattle prices is expected when marketings of short-fed cattle increase this fall. The seasonal decline in hog prices will probably be moderate. Sheep and lamb prices this fall will probably continue a little higher than last fall.

Prices received by farmers for milk are increasing seasonally and are likely to continue above a year earlier through the rest of 1956.

Egg prices this fall will probably be below a year ago. Production is now rising seasonally, and the number of layers on farms on September 1 was 3 percent larger than last year.

Supplies of food fats in the marketing year beginning October 1 will be about as large as in the previous one. Prices received for 1956 crop cottonseed probably will average above the average price received for last year's crop. The 1956 soybean output is estimated to be a fourth larger than last year's.

While corn prices are expected to decline as the 1956 crop is harvested, the general level of feed grain prices probably will average a little higher this fall and winter than a year earlier.

An increase in the prospective spring wheat crop during August puts estimated total wheat output at about 3 percent above 1955 but still substantially below average.

Total production of deciduous fruits in 1956 is expected to be about 2 percent smaller than in 1955. Prospective production of tree nuts is up about 6 percent from 1955.

Prices received by growers of fresh vegetables for the fall market probably will average a little lower than last year.

A cotton crop of 13.1 million bales was estimated as of early September, compared with output of 14.7 million bales last year and the 1945-54 average of 13.1 million.

Prices received for flue-cured tobacco in the Georgia-Florida Belt this year averaged 3 percent higher than last year. Burley output was estimated in September at 485 million pounds, up 3 percent from last year.

GENERAL ECONOMIC SITUATION

Most industries operated near capacity in August, except for seasonal interruptions due to vacations and, in the case of automobiles, model changeovers. Steel output increased rapidly following the July shutdown and exceeded 98 percent of capacity in early September. A sizable backlog of unfilled orders assures a high rate of operation in coming months. Employment increased in August to 66.8 million workers, a new record, while unemployment dropped 638,000 to 2.2 million. Fourth quarter prospects, already favorable, were strengthened further by reported intentions of businessmen to increase outlays for new plant and equipment in October-December by 5 percent over the advanced rate of June-September.

Consumer Income and Spending

Consumer income payments declined slightly to 324.5 billion dollars in July. The decline of 0.4 billion from June--the first since last January--was due to reduced payrolls in steel and related industries (mining and transportation) affected by the work stoppage. Wage and salary disbursements in service trades and government showed small advances. Proprietors' and rental income, interest and dividends also increased in July.

Consumer borrowing in July again exceeded repayments, so that total consumer indebtedness continued upward. The rise, however, was less than half that which occurred in July 1955. In the first seven months of 1955, new extensions exceeded repayments by 2.8 billion, while in the same period of this year the net increase in outstanding consumer credit was only 0.9 billion. Nevertheless, a record total of 37.1 billion in consumer credit is now outstanding. This represents 13 percent of consumer disposable income (income after taxes), up a little from a year ago.

Retail Trade Continues Strong

Total sales of retail stores in August increased 1 percent from the record rate of June and July to a level 4 percent above August 1955. Retail trade in July, the latest month for which detailed data are available, showed very little change from June. Slight decreases in the volume of business done by the automotive group, service stations, and by eating and drinking places were offset by some strengthening in sale by food and general merchandise stores. Sales were virtually the same in July as in June for both durable and nondurable goods.

The Market For New Automobiles

Dealers' sales of new passenger automobiles continued relatively high in August. Output during August fell to 402,000 units from 450,000 in July as production of 1956 models of many makes was ended. Inventories on hand have been reduced substantially from their high level of several months ago and in early September were nearly a third below a year earlier. During the first 8 months of 1956, dealers sold 4.1 million new automobiles, about one-fifth fewer than in the same period of 1955.

Sales of the new 1957 model automobiles will depend in part on the availability of consumer credit. During 1956, purchasers of new autos have continued to rely heavily on borrowed funds. The decline in cash sales of 1956-model cars was considerably greater than the drop in credit sales. Credit extended for auto purchases (both new and used) has been running steadily ahead of repayments, and total automobile installment credit outstanding reached a record 15 billion dollars in June, up 20 percent in a year. In 1955, three-fifths of new car sales involved borrowed funds, compared with less than half in 1951.

The market for automobiles will depend largely on consumer reaction to the new designs incorporated in the 1957 models. Also important is the trend toward widespread ownership of automobiles. The Federal Reserve Board-University of Michigan Survey of Consumer Finances reports that in early 1956 a record 70 percent of all spending units had automobiles, and that 9 percent owned 2 or more. In 1949, the corresponding proportions were 51 percent and 3 percent. Also reported is a decline in the average age of autos in use, attributable to the large volume of new cars produced in 1955 together with the scrappage of some older automobiles. The proportion of autos 3 or more years old remained larger in early 1956 than in the period 1951-53, but a smaller proportion was in the over-7-years bracket.

Investment Demand

Industrial output, employment, personal income and consumer spending are all influenced both directly and indirectly by the volume of business investment spending. The expansion in overall economic activity in the past

year and a half has been accompanied by a rapid and steady rise in business outlays for new plant and equipment. In the second quarter of 1956, these expenditures reached a seasonally adjusted annual rate of 34.5 billion dollars, or more than a fourth above a year earlier.

Capital Outlays
To Rise Further

A survey by the Commerce Department and the Securities and Exchange Commission indicates that business men are planning further increases in spending for plant and equipment. A preliminary report on such expenditures in the period July-September shows a 5 percent increase over March-June, to a rate of 36 1/4 billion dollars a year. If present plans are realized, a similar increase, to a 38 billion dollar rate, is in prospect for October-December. Larger fourth quarter outlays are anticipated by nearly every industrial group, with particularly sharp increases planned by manufacturers of both durable and nondurable goods and by railroads.

Table 1.--Expenditures on new plant and equipment
by U. S. business 1954-56

Industry	1954	1955	1956 (Seasonally adjusted annual rates)				Percent- age increase 4th quarter 1955 to 4th quarter 1956
			Jan. Mar.	Apr.- June	July- Sept.	Oct.- Dec.	
			Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	
Manufacturing	11.04	11.44	13.45	14.65	15.82	16.87	35.2
Durable goods industries	5.09	5.44	6.57	7.38	8.17	8.64	44.0
Nondurable goods industries	5.95	6.00	6.88	7.27	7.65	8.23	27.0
Mining	.98	.96	1.13	1.28	1.32	1.28	18.5
Railroads	.85	.92	1.25	1.22	1.32	1.53	30.8
Transportation, other than rail	1.51	1.60	1.65	1.63	1.85	1.99	17.1
Public utilities	4.22	4.31	4.56	4.61	5.20	5.31	18.5
Communication, commercial, and other	8.23	9.47	10.78	11.10	10.75	11.02	4.6
Total	26.83	28.70	32.82	34.49	36.26	38.00	20.8

Securities and Exchange Commission.

Residential Construction Continues Slow

Outlays for new homes totaled 15.2 million in August, on a seasonally adjusted annual rate basis. This was about the same as in July, but 12 percent below August 1955. So far this year, homebuilding outlays were about 9 percent smaller than a year earlier. The yearly rate of new housing starts rose slightly in August and averaged 1.1 million units in the first 8 months of this year, or 18 percent below the corresponding period of 1955. The smaller decline in housing outlays than in starts is explained primarily by rising construction costs and the trend toward larger and more expensive homes.

Business Inventories Edge Up in July

Total manufacturing and trade inventories, seasonally adjusted, increased by 0.1 billion dollars in July to 85.7 billion. The rise occurred in spite of a reduction in steel inventories caused by the July shutdown. Additions to stocks of nondurable goods by both manufacturers and wholesale and retail traders more than offset the decrease in inventories of metals.

Credit Supply Tight; Interest Rates Rise

A large part of business spending on capital goods and inventories, as well as outlays for residential construction, depends on the availability and cost of borrowed funds. For more than a year the money market has been relatively tight, with interest rates moving generally upward. During August the market tightened further. The Federal Reserve authorities acted on August 24 to increase rediscount rates—the rates charged by Federal Reserve Banks on loans to member banks. This was the sixth such increase in 16 months. At the same time, interest rates on many types of loans rose to their highest levels since the early thirties.

The stringent credit situation has resulted largely from an unprecedented demand for funds. Heavy business requirements for credit to finance new plant and equipment and for inventory acquisition have produced a record volume of corporate security flotations in the first half of 1956, as well as a sizable growth in business loans of banks. According to the Securities and Exchange Commission, business corporations raised 3.0 billion dollars through sale of securities during April-June, compared with 2.2 billion in the first quarter and 2.5 billion in the corresponding period of 1955. An increase of nearly a fourth occurred also between July 1955 and July 1956 in commercial and industrial loans of weekly reporting member banks.

During most of the past year, some open market selling of Government securities by the Federal Reserve has kept pressure on banks' reserves and lending power, though occasional purchases have been made when necessary to allow for seasonal expansion in use of credit. Member banks, in endeavoring

to meet increased currency requirements and the strong loan demand, have been forced to increase their borrowings from the Federal Reserve Banks. One indicator of the lending power of the banking system is the amount of "free" reserves--excess reserves minus borrowed reserves. Since August 1955, borrowed reserves have been greater than member banks' excess reserves, so that free reserves have been negative. The increased rediscount rates are intended to reinforce the restraining influence of the growing use of borrowed reserves. The rate member banks pay on borrowings from Federal Reserve Banks is now 3 percent, its highest level in more than 20 years.

Tight Money Market
Likely to Continue

The last half of the year is usually characterized by an increase in currency in circulation which, unless offset by Federal Reserve action, exercises strong pressure on member bank reserves. Also, there usually occurs a seasonal expansion in loans. Borrowing is increased especially by merchants who need to purchase goods for the fall and Christmas trade, by manufacturers, who must borrow to produce new styles and models for the coming season, and by food processors, to move seasonally increasing supplies of farm products to market. Between August and December last year the Federal Reserve System allowed an expansion of about 2 billion dollars in Reserve Bank credit to meet seasonally expanded requirements for currency and member bank reserves.

Borrowing for other than seasonal needs may become more difficult this fall. The actions of the Federal Reserve to limit the amount of credit tend to sidetrack part of the demand for materials and labor, particularly in construction and in the rapidly expanding area of business plant and equipment spending. The increased scarcity of capital funds and their higher cost is likely to cause some of these outlays to be deferred and may discourage some inventory acquisition. Effects may also carry through to consumer credit and perhaps to the mortgage market, where rising interest rates have already created problems of obtaining money under low-rate Government guaranteed financing. The magnitude of these influences, however, is difficult to assess. While more restrictive credit conditions may be the deciding factor in a few marginal projects, gradual tightening is unlikely to halt or reverse the upward trend in use of borrowed funds. The net effect will probably be to place a slightly firmer check on the expansive forces at work.

Federal Expenditures Rising:
Budget Surplus Below Last Year

According to the mid-year reappraisal of the Federal budget for fiscal 1956-57, outlays scheduled by the Federal Government total 69.1 billion dollars, 2.7 billion larger than in fiscal 1955-56. Major national security programs continue to account for about three-fifths of total budget expenditures. A small increase is scheduled for fiscal year 1956-57, mainly because of the higher maintenance and operating costs of complex new weapons and

techniques. Agricultural expenditures are expected to rise in the current fiscal year. The Soil Bank program will be mainly responsible for a scheduled rise in expenditures from 4.9 billion in fiscal 1955-56 to 5.7 billion in 1956-57. Greater budget expenditures are also scheduled for other categories such as veterans' benefits, labor and welfare, and interest on the Federal debt.

Budget receipts also are expected to rise to a total of 69.8 billion dollars in fiscal 1956-57, a gain of 1.7 billion from 1955-56. With a relatively larger increase in spending scheduled, a budget surplus of 0.7 billion dollars is indicated for 1956-57 compared with a surplus of 1.8 billion dollars in 1955-56. If we consider the trust fund transactions of the Federal Government, Federal cash receipts from the public in 1956-57 may exceed payments to the public by 3.7 billion dollars. This compares with a cash surplus of 4.5 billion dollars in fiscal 1955-56.

Table 2.- Federal budget receipts, expenditures, and surplus, 1953-57

Item	(Fiscal years)					:Estimated
	: 1953	: 1954	: 1955	: 1956	: 1957	: 1957
	: :	: :	: :	: :	: :	: 1/
	: Bil.	: Bil.	: Bil.	: Bil.	: Bil.	: Bil.
	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>
Budget receipts:	:	:	:	:	:	:
Individual income taxes	: 32.8	32.4	31.7	35.3	37.5	
Corporation income taxes	: 21.6	21.5	18.3	21.3	21.5	
Excise taxes	: 9.9	10.0	9.2	10.0	9.3	
All other receipts (net)	: 3.6	4.1	4.7	5.2	5.4	
Refunds of receipts (-)	: -3.1	-3.4	-3.4	-3.7	-3.9	
Total	: 64.8	64.7	60.4	68.1	69.8	
Budget expenditures:	:	:	:	:	:	:
Major national security	: 50.4	46.9	40.6	40.5	40.8	
Interest	: 6.6	6.5	6.4	6.9	7.2	
Agriculture	: 2.9	2.6	4.4	4.9	5.7	
Veterans	: 4.3	4.3	4.5	4.8	4.8	
Labor and welfare	: 2.4	2.5	2.6	2.8	3.0	
All other	: 7.7	5.1	6.1	6.6	7.5	
Total	: 74.3	67.8	64.6	66.4	69.1	
Budget surplus (+) or deficit (-)	:	:	:	:	:	:
	: -9.4	-3.1	-4.2	+1.8	+0.7	

1/ Excludes excise tax receipts of 1.5 billion dollars and expenditures of 1.2 billion dollars for the new highway program which are under special trust fund.

Bureau of the Budget.

Industrial Output and EmploymentSteel Activity
Rebounds Quickly

The Nation's steel mills got back into production quickly after settlement of the month long steel strike. By early September steel production was up to 98 percent of capacity--higher than before the strike. Demand for steel is expected to continue strong. Business corporations have programmed substantial increases in plant and equipment expenditures for the fourth quarter, and production of 1957 model passenger cars will soon get under way. Road construction is also rising under the impetus of the new Federal-States highway program. The resulting increase in steel needs is likely to keep mills operating at close to capacity for the remainder of the year.

The index of industrial production in August rose 4 percent above the July level to 141 (1947-49=100) after adjustment for seasonal factors. The June figure was also 141. Thus, industrial output regained the level prevailing at the onset of the steel stoppage.

In the manufacturing industries, all of the advance was among durable goods plants; output of nondurables was unchanged from July. Primary metals production jumped 90 percent as steel mills got back into operation. Fabricated metal products, machinery, and transportation equipment all registered substantial increases. Lumber output showed a slight decline. Among the non-durable goods industries, small increases in the chemicals and petroleum products and the food beverages and tobacco groups were offset by a small decline in production of rubber and leather products. Minerals output was up 5 percent from July though still fractionally below June.

Industrial production is now slightly above the levels of a year ago but down a little from the peak reached in last December. The easing has been general in both durable and nondurable manufacturing and in mining.

Employment Holds
At Record Level

The number of jobs continues to grow from month to month. The number of persons at work in August increased fractionally from the record July level, though the increase was smaller than those of recent months. The principal increases occurred in primary metals, metal fabricating, and other investment goods industries. Employment in August was reported at 66.8 million, 1.3 million more than in August 1955. The civilian labor force declined seasonally by more than half a million over the month so that with a very small rise in employment, unemployment fell from 2.8 to 2.2 million in August. This was 3.2 percent of the civilian labor force, compared with 3.3 percent in August a year ago and 4.4 percent at the beginning of this year.

Factory Earnings
At All-Time High

The length of the work week and weekly earnings rose in August, as a result of the resumption of work in steel and related industries and expanding employment. Weekly hours in manufacturing increased from 40.0 in July to 40.3 in August. Most of the increase was in durable goods industries. Factory workers' average weekly earnings rose to a record \$79.79 compared with \$78.80 in July and \$76.33 in August last year.

Farm Employment Up
More Than Seasonally

The number of workers on farms rose to a total of 9.2 million in August, according to the Agricultural Marketing Service. The increase from July was greater than seasonal. Employment in July had shown a marked drop after seasonal adjustment. Both family and hired labor rose more than seasonally in August. However, family labor was still about 5 percent below a year earlier, while the number of hired workers was down 1 percent. The total was 4 percent below August 1955.

Table 3.- Employment and labor force, 1954 and 1955 and by months
from August 1955 to date

(Persons 14 years and over)

Period	Civilian labor force	Total employ- ment	Unemploy- ment	Unemploy- ment as percent of labor force:	Not in labor force
	Millions	Millions	Millions	Percent	Millions
1954	64.5	61.2	3.2	5.0	48.4
1955	65.8	63.2	2.7	4.1	48.5
August	67.7	65.5	2.2	3.2	46.8
September	66.9	64.7	2.1	3.1	47.8
October	67.3	65.2	2.1	3.1	47.5
November	67.2	64.8	2.4	3.6	47.7
December	66.6	64.2	2.4	3.6	48.5
1956					
January	65.8	62.9	2.9	4.4	49.4
February	65.5	62.6	2.9	4.4	49.8
March	65.9	63.1	2.8	4.2	49.5
April	66.6	64.0	2.6	3.9	48.9
May	67.8	65.2	2.6	3.8	47.8
June	69.4	66.5	2.9	4.2	46.4
July	69.5	66.7	2.8	4.0	46.4
August	68.9	66.8	2.2	3.2	47.1

Census Bureau.

Commodity PricesConsumer PricesAt New Record

The Bureau of Labor Statistics index of consumer prices for urban families rose eight-tenths of a point from June to July (the same increase as in the preceding month) to 117.0 percent of the 1947-49 average. This is a new record high. The index is now 2 percent above July of last year and 2 percent higher than the first of this year. After nearly three years of stability the index has risen each month since last March.

Most of the July rise in average retail prices was attributable to an advance in costs of food, especially fruits and vegetables. All other components of the index also showed some increase in July except housefurnishings and gas and electricity, which were unchanged.

The AMS index of prices paid by farm families for family living turned down in August, because of sharp reductions in vegetable prices. This decline more than offset a continuing increase in prices of clothing and auto supplies.

Wholesale PricesStill Rising

After dipping slightly in June and again in July, the index of wholesale prices resumed its upward climb in August, rising to 114.6 from 114 in July. This compares with 110.9 a year ago and 111.9 in January. An increase in the average prices paid for commodities other than farm and food was responsible for most of the increase over the month. A substantial rise in prices of steel mill products led the advance and was responsible for a 3.6 percent increase in average prices for the metal and metal products group. Farm product prices declined 1 percent while processed foods rose fractionally. A drop in fresh fruits and vegetables, and cotton prices caused the decline in the farm products group. Advancing meat prices pushed up the processed foods price index.

Prices Received, ParityRatio Down in August

The Index of Prices Received by Farmers in mid-August was 237 percent of the 1910-14 average, 3 percent below July but 2 percent above a year ago. Sharp declines in prices of potatoes and commercial vegetables due to increased marketings were responsible for most of the drop over the month. But prices for both still averaged above August of last year. Moderate declines were also noted for cotton, fruit, and poultry. The decline in fruit was somewhat more than the usual seasonal amount. Declines in broilers and turkeys were sufficient to offset a less than seasonal rise in egg prices so that the poultry and eggs price index declined after seasonal adjustment. Substantial price increases for cattle and hogs raised the meat animals group 5 percent above July and 3 percent above August of last year.

Prices Paid by Farmers for Commodities, Interest, Taxes, and Wage Rates (the Parity Index) advanced one point from 287 to 288 (1910-14=100) in mid-August to a level 3 percent above a year earlier. An increase in the cost of a large number of farm production items accounted for most of the increase. The increases more than offset the small decline in the Index of Prices Paid for Family Living Items.

With the decline in prices received and the small advance in prices paid, the Parity Ratio in mid-August, at 82 (1910-14=100), was 3.5 percent below the July level and 1 percent lower than a year earlier.

Central Market Prices

Prices of major farm commodities showed mixed movements between mid-August and mid-September. Soybeans continued to decline, down 9 percent during the 4 week period. Wheat and the major feed grains were steady to slightly higher. Long Island Chippewa potatoes dropped sharply in late August and early September but recovered part of their loss by mid-September. Hogs, at Chicago, eased down about 6 percent over the 4 week period while slaughter steers, also at Chicago, advanced 4 percent. Prices of mid-western eggs, (mixed colors, fancy, heavy weights, 70 percent-A) rose seasonally and were up about 30 percent by mid-September.

UNITED STATES SURPLUS DISPOSAL

United States surplus disposal operations continue heavy. A notable development is an agreement with the Government of India calling for deliveries over a 3-year period of commodities having an export value of more than 300 million dollars. This is the largest sale thus far for foreign currencies under P. L. 480. The agreement includes 130 million bushels of wheat, a half million bales of cotton, 4.4 million cwt. of rice and 6 million pounds of tobacco. The rice, all to be shipped this year, represents about 20-25 percent of government stocks estimated to be available during the marketing year 1956-57. This sale brings foreign currency sales under Title I to about 2.2 billion dollars (CCC cost) since the inception of the P. L. 480 program or nearly 75 percent of the amended authority for such sales provided by Congress for the period ending June 30, 1957.

Another in the series of Export-Import Bank cotton loans has been granted to Japan. The current loan, for 60 million dollars, will finance the export of about 400,000 bales.

FARM INCOME

Farmers received about 17.1 billion dollars from marketings in the first 8 months of 1956, 2 percent more than in the corresponding period of 1955. An increase in the volume of marketings so far this year has more than offset a 2-percent decline in average prices. Receipts from livestock and products were approximately 10.4 billion dollars, slightly above last year

as larger receipts from milk and eggs more than offset smaller receipts from cattle and hogs. Crop receipts of 6.7 billion dollars were up 3 percent from 1955. Receipts from cotton, fruits, and vegetables were larger than last year, but receipts from soybeans and tobacco were down.

Cash receipts from farm marketings in August are tentatively estimated at 2.6 billion dollars, up only slightly from August 1955. Receipts from livestock and products were about 1.4 billion dollars and crop receipts were 1.2 billion.

LIVESTOCK AND MEAT

Meat animal prices at mid-September were generally above those of a year earlier. Prices will likely drift seasonally downward yet this fall but they may improve their advantage over a year earlier.

Total livestock slaughter and meat output for the rest of 1956 will be less than a year before. The principal reduction in slaughter will be in hogs. The season's peak slaughter late this fall will be considerably below last fall when it was very large. For this reason, the seasonal decline in hog prices is expected to be modest. Prices will be above a year earlier, particularly late in the year.

Cattle slaughter this fall, which is expected to exceed last fall, will likely consist of fewer fed cattle and more grass cattle. As average weights will be lighter, total beef output may about equal that of a year earlier. Fed cattle prices improved a great deal through mid-September. A seasonal downturn may be expected when marketings of short-fed cattle increase as a result of the large number put on feed in June, July and August. Although prices of feeder cattle may decline somewhat from present levels, they are expected to continue appreciably higher than late last year.

Sheep and lamb slaughter the rest of this year will probably be slightly below the comparable months of 1955. This, together with the relatively stronger prices for other meat animals, points toward sheep and lamb prices this fall continuing a little higher than last fall.

DAIRY PRODUCTS

Prices received by farmers for milk are increasing seasonally and are likely to continue above a year earlier through the rest of 1956. The gain over a year ago reflects higher prices for both fluid and manufacturing milk. For the first eight months of 1956 the whole milk price averaged \$4.00 per hundredweight compared with \$3.87 in the same period of 1955. With production also higher, cash receipts from the sale of dairy products in 1956 will be around the 1952 record of \$4.6 billion, compared with 4.2 billion in 1955.

Prices of feeds and other livestock products also have risen. Milk-and butterfat-feed price ratios have been less favorable in the last several weeks than last fall and winter, though the milk-feed price ratio continues slightly above average for the time of year. Dairy prices also continue above average relative to hog prices. In general, price relationships for the coming feeding season may not differ enough from normal to bring about any significant change from the current trend in total milk production.

Production of milk has been above a year earlier in each month since April 1955. For 1956 as a whole, milk production is likely to reach at least 127 billion pounds compared with 123.5 billion in 1955.

Since July, supplies for manufacturing have been above 1955, although consumption of fluid milk has continued above a year earlier. For the first seven months of 1956, as a whole, output of all manufactured products, except evaporated milk, was above a year earlier.

The retail price of fluid milk is well above a year earlier. But with expanding consumer incomes, total purchases of whole milk in markets for which data are available have averaged 2.6 percent above 1955 in the first seven months of 1956. This, however, may be little more than the increase in population in the marketing areas covered by these data. Sales of milk and cream mixtures and skim milk products continue to increase, but sales of cream have shown a further small decline.

The milk equivalent of butter and cheese purchased so far this marketing year (starting April 1) is 3.1 billion pounds, equal to a year earlier, while purchases of nonfat dry milk have been considerably greater. Private storage holdings of all manufactured products are above a year earlier except butter and evaporated milk. Cream stocks are considerably greater.

POULTRY AND EGGS

Egg prices have recovered from early August when Midwestern and some Eastern prices were almost at their lowest levels so far in 1956. However, pronounced further price rise is unlikely since total production on farms is now increasing seasonally. The Department of Agriculture announced on September 7 that it would consider the purchases of shell eggs if necessary to stabilize prices and on September 18 announced the specifications toward which vendors might submit offers.

The number of layers on farms September 1 was 3 percent larger than last year. This year's replacement hatch was early, with most of the increase in replacement chicks over 1955 coming in March or earlier. Pullets from these chicks are already producing. The number of replacements added to the 1956-57 laying flock are likely to exceed those added in 1955 only slightly, and this increase may be largely offset by culling of the large carryover of old hens, birds hatched before 1955. Egg production in August was 6 percent higher than last August and monthly output will likely exceed 1955 for the remainder of the year. Storage stocks are below last year.

Broiler prices received by farmers at 19.6 cents per pound in mid-August were down 2.1 cents from the month before. The large number of broiler chickens now growing and eggs set in incubators indicate that supplies for the remainder of the year will continue about 20 percent larger than in the same months of 1955. Demand for broilers usually declines in the final quarter of the year, but the decline this year is expected to be tempered by somewhat higher prices than last year for red meats. The increase in turkey slaughter will be only a partial offset to the reduced supply of red meats.

Slaughter from the record-large 1956 turkey crop has reached a fairly large volume, and the Department of Agriculture has issued an announcement under which it plans to buy turkeys. In major producing areas such as the Central Valley of California, current prices are below last year. In the second week of September, quotations there, with year-ago prices in parentheses, are as follows: Heavy type hens, per pound, $27\frac{1}{2}$ -28 (30-31); heavy type toms 24 - $24\frac{1}{2}$ (28-28 $\frac{1}{2}$); and broiler-fryer type turkeys 28 (30 $\frac{1}{2}$ -31).

Poultry feed prices, which rose sharply this spring and have since shown further gradual rises, are likely to move seasonally lower in coming weeks.

OILSEEDS, FATS AND OILS

Total supplies of food fats in the marketing year beginning October 1, 1956 will be about as large as in the previous one. Smaller supplies of cottonseed oil, lard and butter will be offset by increased output of soybean oil. Cottonseed oil production will be down due to an 11 percent reduction in the 1956 cotton crop and lard output is expected to fall off considerably because of a probable drop in hog slaughter of almost a tenth.

The quantity of these fats, including oil equivalent of soybeans, available for export in 1956-57 would permit exports about equal to the record 2.7 billion pounds estimated for the year just ending, and leave stocks on October 1, 1957 about the same as estimated for October 1 this year. While it is too early to estimate the full-year exports, sales for dollars plus exports under Public Law 480 are expected to result in a heavy outward movement. As of September 1, about 240 million pounds of edible oils were still to be shipped under agreements made prior to that date.

Prices received by farmers for 1956 crop cottonseed probably will average somewhat above the CCC purchase price of \$44 per ton, basis grade (100) and the season average price received for the 1955 crop. The total value of the products obtained from cottonseed this fall and early winter, when farmers market the bulk of their crop, is likely to be moderately higher than last year.

Production of peanuts is down approximately 8 percent from 1955 but prospective supplies are well above domestic requirements for food and farm uses. CCC probably will acquire a portion of the crop and prices are likely to average near the support program loan value.

The 1956 soybean output is estimated at a record 462 million bushels, nearly a fourth larger than last year's production. The prospective bumper crop is the result of the highest yields since 1949, along with the largest acreage of record--nearly 21 million acres for harvest as beans. Including the carryover expected on October 1, the total supply is estimated at about 467 million bushels compared with 381 million bushels a year earlier.

Flaxseed production is estimated at 50 million bushels, about 22 percent more than in 1955, and the second largest crop on record. Stocks at the beginning of the marketing year July 1, including linseed oil in terms of flaxseed, amounted to 11 million bushels or about 38 percent less than last year.

Domestic oil use may be equivalent to about 28 million bushels and another 4 million will be needed for seed and feed. This would leave 29 million bushels available for export and carryover stocks. Because of increased availability of flaxseed from other countries, U. S. export prospects are not as good as last year.

FEED

The general rise in feed grain prices during the 1955-56 season brought the mid-August index of prices received by farmers to 27 percent above the seasonal low of last fall, and 13 percent higher than a year earlier. Higher prices this summer reflect smaller crops and higher price supports for oats, barley and sorghum grains, and small market receipts and declining stocks of "free" corn. While corn prices are expected to decline as the 1956 crop is harvested, the general level of feed grain prices probably will average a little higher this fall and winter than a year earlier.

Prices of many of the high protein feeds have declined since July after advancing from March through June. In August and early September they were generally close to a year earlier. The price of soybean meal has been low in recent weeks relative to most other high protein feeds. Prices paid by farmers for feed purchased averaged 2.4 percent higher in August than a year earlier and livestock-feed price ratios were generally less favorable.

Prospects for the corn crop improved materially during August, and in early September total feed grain production was estimated at 125 million tons, only 4 percent below the big crop of last year. With larger carryover stocks on hand, the total supply of feed concentrates for the 1956-57 feeding year, including grains and byproduct feeds, is now estimated at 196 million tons, practically equal to the record supply in 1955-56. The 1956 feed grain crops, with normal feeding rates, appear fully adequate to meet our total 1956-57 requirements and leave a larger carryover into 1957-58 than the record stocks this year.

The 1956-57 corn supply is estimated at over 4.5 billion bushels, 6 percent above the record supply last year and 17 percent above the 1949-53 average. The 1956 crop was estimated on September 1 at 3,336 million bushels,

an increase of 192 million over the August 1 estimate and second only to the bumper crop of 1948. A record carryover totaling around 1.2 billion bushels is in prospect. Supplies of the other feed grains are smaller than last year. The oats supply was estimated in September to be down 16 percent, barley 9 percent and sorghum grains 23 percent.

The hay supply for 1956-57 is estimated at 125 million tons, 3 million tons less than in 1955-56, and a little below average in relation to the roughage consuming livestock on farms. Hay crops are short and pastures have been below average in much of the Great Plains and the Western Corn Belt, and in areas of the South. The big soybean crop is expected to provide a record supply of soybean meal, bringing the total high-protein feed supply above last year's high level.

WHEAT

Cash winter wheat prices have continued to advance since the new export program was announced on July 13. Under this program substantial quantities of wheat for commercial export will be drawn from free market supplies, rather than from CCC stocks as in 1955-56. Spring wheat prices declined seasonally as supplies from the 1956 harvest came on the market. In mid-August wheat prices to farmers average \$1.93 compared with \$1.90 a month earlier, \$1.93 in mid-June, \$1.90 in August 1955, and the 1956 national average crop loan rate of \$2.00. Current prices are generally above prices in mid-August and above the effective loan rate.

Another important price strengthening factor, which should become more in evidence later in 1956-57 is the prospect that the 1957 crop will likely be considerably less than total disappearance, because of a reduction in acreage due to the Soil Bank. As a result of the market influence of the new export program and the reduced 1957 crop prospects, it is estimated that the price of wheat to farmers in 1956-57 may average about at the support level of \$2.00. For the 1955 crop, these prices averaged \$1.98, 10 cents under the \$2.08 national average loan rate.

The supply of wheat for the 1956-57 marketing year is estimated at 2,002 million bushels, a new all-time record. This year's supply includes the July 1 carryover of 1,030 million bushels, a crop estimated as of September 1 at 967 million and imports of about 5 million. Domestic disappearance is expected to total about the same as last year, but exports may be larger so that the carryover July 1, 1957, probably will be no larger or even less than on last July.

RICE

Prospects for greatly increased rice exports are expected to reduce materially the very large carryover of rice by the end of the current marketing year. The carryover on August 1, 1956 was estimated at about 34.6 million cwt., which together with the crop estimated as of September 1 at 45.3 million cwt. and imports of about 0.3 million results in total supplies of about

80.2 million cwt. This compares with the record supply of 80.5 million cwt. in 1955-56. Of the total carryover, about 24.7 million cwt. was owned by the CCC. Domestic disappearance is expected to total about 26.7 million cwt., well below the 28.2 million in 1955-56 because of the smaller amount ground and sold as feed, but above the 1950-54 average of 25.7 million cwt.

The greatly increased U. S. rice exports now in prospect are possible because of a material change in the world rice situation. Surpluses, which accumulated in 1954-55 throughout exporting countries, have now largely been disposed of. Moreover, some countries, notably Indonesia and Pakistan, had poor crops in 1955. Through a combination of various programs to increase both domestic use and exports, practically all of the rice owned by the CCC has now been committed.

FRUIT

Demand for fruit is expected to continue strong this fall. With production of late-season deciduous fruits generally smaller than a year ago, the level of prices received by growers for this fruit probably will be at least as high as in the fall of 1955. Prices for California citrus fruits during early fall are likely to continue above those of this period last year. On September 1, remaining supplies of California Valencia oranges were a little lighter than a year earlier.

Total production of deciduous fruits in 1956 is expected to be about 2 percent smaller than in 1955. As a result of generally favorable growing conditions in August and early September, prospects for apples, peaches, and pears have improved. For the 1956-57 citrus crop, growing conditions have continued generally favorable, except in Texas, where more water is needed. Prospective production of tree nuts is up about 6 percent from 1955.

Figures so far available on 1956 packs of fruits show heavy reductions in canned apricots, red pitted cherries, and California sweet cherries, but a substantial increase in California brined cherries. Even though a heavier pack of canned peaches is expected, the total pack of canned fruits probably will be somewhat under the record 1955 pack. However, output of dried fruits is expected to be larger this year. The 1956 pack of frozen deciduous fruits and berries is still uncertain. In the 1955-56 season, the Florida pack of frozen orange concentrate set a new record.

On September 1, 1956, stocks of Florida canned citrus juices held by packers were 20 percent larger than a year earlier but 42 percent smaller than 2 years earlier. Stocks of Florida frozen orange concentrate on September 1 were 19 percent larger than a year earlier. Cold-storage holdings of frozen deciduous fruits and berries (excluding juices) increased seasonally during August, and on September 1, 1956 they were 7 percent above the stocks on that date in 1955.

COMMERCIAL VEGETABLES

For Fresh Market

Production of vegetables for fresh market this fall promises to be above average and considerably larger than the relatively small output last year. Early September production estimates, on crops which account for about three-fourths of commercial fall tonnage, indicate production about 10 percent above the 1949-54 average, and 19 percent larger than last fall. More than two-thirds of the increase over a year earlier is due to an almost 50 percent increase in tonnage of early fall cabbage. Substantial increases over last fall are also in prospect for carrots, cauliflower, cucumbers, spinach and lima beans, and moderate increases for snap beans and early fall tomatoes. Early fall crops of celery and lettuce are about the same as last year, while only green peas are significantly below 1955.

Consumer demand is expected to continue strong. But with relatively large supplies indicated, prices received by growers of fresh vegetables for the fall market are likely to average a little lower than those of a year earlier.

For Processing

Production of 8 important vegetables for processing in 1956 is expected to be up about a third from 1955. These vegetables--lima beans, snap beans, beets, sweet corn, green peas, tomatoes, winter and spring spinach, and contract cabbage for kraut--usually make up about 90 percent of the total tonnage of the 11 processed crops for which the Department of Agriculture makes official production estimates. Prospective production of each of the 8 crops is substantially above the 1945-54 average and well above that of a year earlier. Although carryover stocks of most items were down from those of 1955, the larger production will mean at least moderately larger supplies of most items in 1956-57 than in the previous season.

POTATOES AND SWEETPOTATOES

Supplies of potatoes during the next few months are expected to be slightly larger than those of a year earlier. Production in the late summer areas is estimated at 34 million hundredweight, about 7 percent above that of a year ago. Production of potatoes for fall harvest, at 156 million hundredweight, is expected to be 5 percent larger than last year. However, the larger production from the current crop is moving into markets not burdened by supplies from earlier crops as happened last year. Also, the geographic distribution of prospective production is more normal this fall than last. Most of the estimated increase over that of a year earlier is in the 9 Central States, which had a short crop last year. Production in the 9 Western States is expected to be moderately larger than last fall, while production in the 8 Eastern States promises to be slightly smaller.

As of early September the sweetpotato crop was estimated at slightly more than 16 million hundredweight, about one-fifth smaller than both the 1955 crop and the 1949-54 average. About two-thirds of the reduction in estimated output is due to a smaller acreage and one-third to lower average yields. Approximately 40 percent of the total cut in production is in Louisiana, and another 27 percent in Texas. Consumer demand for sweetpotatoes in the 1956-57 marketing season is expected to be about the same as in the previous season. In view of the smaller supplies, however, prices received by growers for 1956 crop sweetpotatoes are expected to average considerably above the low levels of a year earlier.

DRY BEANS AND PEAS

Weather during August was favorable for dry bean development in most areas. Production in early September is estimated at 16.3 million 100-pound bags, about 4 percent less than in 1955 but slightly above the 1945-54 average. Beans held by CCC have been moving out at a good rate, and CCC now owns no substantial stocks except for small red beans. With smaller stocks and a moderate cut in production, prices to growers of most types of beans are expected to average moderately higher in 1956-57 than in the previous marketing season.

Dry pea production is estimated at 4.9 million 100-pound bags -- almost double last year's short crop, and about one-fourth larger than the 1945-54 average. Due to small crops in Europe, much heavier exports are in prospect for the coming season, and more peas than usual will be required for restocking. Nevertheless, with a crop of this size, prices to growers in 1956-57 probably will average lower than the relatively high levels of the past two or three seasons.

COTTON

The supply of cotton in the United States for the 1956-57 marketing year is estimated at about 27.6 million bales. This includes a cotton crop of 13.0 million running bales (13.1 million 500-pound bales) estimated as of September 1, a starting carryover estimated at 14.5 million running bales, and estimated imports of 150,000 bales.

It appears likely that the carryover at the end of the 1956-57 marketing year will be somewhat smaller than at the start of the season. This would be the first reduction in the carryover since 1951. Prospects are that exports in 1956-57 will more than double the 2.2 million bales of 1955-56 and that domestic mill consumption will approach last season's 9.2 million bales. The Commodity Credit Corporation sold about 3.5 million bales through September 4 for export during the current season. The Export-Import bank recently granted Japan a \$60,000,000 loan for the purchase of cotton in the U. S.

The average 14 spot market price for middling 1 inch cotton was close to the average loan rate during August and the first part of September. The 1956 average loan rate at the 14 spot markets for middling 1-inch cotton was 33.02 cents per pound. This compares with 34.80 cents per pound for the 1955 crop.

Stocks of cotton held by the CCC on August 31 (owned and held as collateral for outstanding loans, but not including cotton sold for export) were about 9.8 million bales. This compares with 8.1 million bales about a year earlier.

WOOL

Prices at the opening auctions of the 1956-57 selling season in Australia averaged a little higher than at the closing auctions of the previous season. Prices for most descriptions at the opening sales during the last week of August were between 10 and 15 percent above a year earlier. Further advances in prices for most descriptions have occurred since.

Boston quotations for most domestic descriptions advanced between mid-August and mid-September. Although prices in domestic markets generally have advanced since last March, the increases have been smaller than those abroad.

The Commonwealth Economic Committee estimates that consumption of wool in 11 of the major consuming countries during the second quarter was about 3 percent below the first quarter but about 7 percent above a year earlier. Consumption during the first half of this year was 9 percent above early 1955.

Consumption of both apparel and carpet wool in the United States this year has been above last year. Mill use of apparel wool during January-July was 8 percent above a year earlier, and use of carpet wool was up 16 percent.

Imports of both dutiable and duty-free wools for consumption during January-July of this year totaled substantially above a year earlier. Imports of dutiable wools were up 5 percent with all of the increase occurring in the first quarter. Imports of duty-free wools were up 14 percent with those of the first quarter up 60 percent above early 1955, and those of April-July down 15 percent.

TOBACCO

Flue-cured tobacco auctions have closed in the Georgia-Florida Belt with sales totalling about 14 percent less than the record volume of last season. The auction market average for gross sales (including resales) was 48.0 cents per pound--3 percent higher than last season. Prices in the South Carolina--Border Norther Carolina Belt have averaged 53.7 cents for flue-cured marketed through mid-September--1 percent less than for the comparable period of last season. Prices in the Eastern North Carolina Belt through mid-September averaged 52.3 cents--6 percent above the comparable period of last season. In general, lower- and medium-priced grades have brought higher prices than last season while the highest-priced grades have tended to be down a little. The Middle Belt markets opened on September 10 and for the first

week's sales, prices averaged 53.6 cents per pound compared with 50.9 cents in the first week of last season. Old Belt flue-cured markets in North Carolina and Virginia opened on September 24.

The 1956-57 total supply of flue-cured is currently estimated at 3,555 million pounds--slightly above the 1955-56 level. This year's crop estimated as of September 1 at 1,297 million pounds was 13 percent less than last year's record. However, the rise in carryover largely offsets the decrease in this year's production. Total disappearance of flue-cured probably will be moderately less in 1956-57 than in 1955-56 since exports are likely to be lower than the record volume of the past marketing year.

Cigarette output during the first half of 1956 was about 2 percent above the same period of 1955 but output of smoking tobacco for pipes and "roll-your-own" cigarettes declined quite sharply. Cigar consumption during the first half of 1956 was indicated to be about 5 percent above that of a year earlier--partly due to the sizable increase in cigarillos. Chewing tobacco output during January-June 1956 was 4 percent less than in the same months of 1955 and there was a small decline in output of snuff.

As of September 1, burley production was indicated to be 485 million pounds--3 percent greater than last year's crop. The September 1 indication for the Maryland tobacco production was well above last year's storm-reduced crop and about equal to the record 1946 production. The fire-cured and dark air-cured (including sun-cured) production was indicated to be close to that of last year but the cigar filler crop in Pennsylvania may be 10 percent larger than in 1955. The September 1 indication for cigar binder production was for a 26 percent reduction below 1955.

Penalty for private use to avoid
payment of postage \$300

AMS-DPS-21-9-56

NOTICE

If you no longer need this publication, check here ☐ return this sheet, and your name will be dropped from the mailing list.

If your address should be changed, write the new address on this sheet and return the whole sheet to:

Administrative Services Division (ML)
Agricultural Marketing Service
U. S. Department of Agriculture
Washington 25, D. C.